

CONFORMED COPY

CREDIT NUMBER 2476 EGT

Development Credit Agreement
(Basic Education Improvement Project)

between

ARAB REPUBLIC OF EGYPT

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 13, 1993

CREDIT NUMBER 2476 EGT

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated August 13, 1993, between ARAB REPUBLIC OF EGYPT (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project; and

WHEREAS the Association has agreed, on the basis, inter alia of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Develop-

ment Credit Agreements" of the Association, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth and the following additional terms have the following meanings:

- (a) "MOE" means the Ministry of Education of the Borrower;
- (b) "GDIST" means the General Directorate for In-Service Training of MOE;
- (c) "GDEPI" means the General Directorate of Educational Planning and Information of MOE;
- (d) "RTC" means a Regional Training Center of MOE;
- (e) "TCID" means the Technical Committee for Institutional Development established within MOE's Higher Commission for Training;
- (f) "GAEB" means the General Authority for Educational Buildings, an agency of MOE;
- (g) "NIB" means the National Investment Bank of the Borrower;
- (h) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;
- (i) "PIU" means the Project Implementation Unit, established within MOE and to be staffed pursuant to the provisions of Part A of Schedule 4 to this Agreement;
- (j) "TOMOHAR" means the Training Agency for the Ministry of Housing and Reconstruction of the Borrower; and
- (k) "Implementation Plan" means the Implementation Plan for the Project, referred to in Part A (3) of Schedule 4 to this Agreement.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to forty million Special Drawing Rights (SDR 40,000,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special deposit account (the Special Account) in a commercial bank or in its Central Bank on terms and conditions satisfactory to the Association, including, if the Special Account is opened in a commercial bank, appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement. Section 2.03. The Closing Date shall be December 31, 2002 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a

commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semi-annually on May 1 and November 1 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each May 1 and November 1 commencing May 1, 2003 and ending November 1, 2027. Each installment to and including the installment payable on November 1, 2012 shall be one and one-fourth percent (1-1/4%) of such principal amount, and each installment thereafter shall be two and one-half percent (2-1/2%) of such principal amount.

(b) Whenever (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(c) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project through MOE with due diligence and efficiency and in conformity with appropriate education, engineering and administrative practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Borrower and the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association, as soon as available, but in any case not later than six months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in

paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Effective Date; Termination

Section 5.01. The following event is specified as an additional condition to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely, that the PIU has been staffed in the manner described in Part A (1) of Schedule 4 to this Agreement.

Section 5.02. The date 120 days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. The Minister of State for International Cooperation or the First Undersecretary for International Finance of said Ministry of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of International Cooperation
(International Finance Sector)
8 Adly Street
Cairo, Egypt

Cable address:

Telex:

MINISTRY OF
INTERNATIONAL
COOPERATION
Cairo

927-23348

For the Association:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

Telex:

INDEVAS
Washington, D.C.

197688 (TRT),
248423 (RCA),
64145 (WUI) or
82987 (FTCC)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

ARAB REPUBLIC OF EGYPT

By /s/ Ahmed Maher El Sayed
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Ram Chopra
Regional Vice President
Middle East and North Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Works	28,820,000	90%
(2) Goods	2,700,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 85% of local ex- penditures for other items pro- cured locally
(3) Training and engineering, and other technical services	3,710,000	100%
(4) Teacher training	2,050,000	100%
Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(5) Operating expenses	270,000	100% for the fiscal year ending on June 30, 1994; 90% for the fiscal year ending on June 30, 1995; 80% for the fiscal year ending on June 30, 1996 and 70% for sub- sequent fiscal years

(6) Unallocated	2,450,000
	<hr/>
TOTAL	40,000,000 =====

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; and

(c) disbursement under Category (5) of the table in paragraph 1 of this Schedule shall be made on the basis of itemized statement of expenditures certified by PIU. During the month of July in each year, the Borrower shall furnish to the Association a statement as to whether total disbursement under said Category (5) during the fiscal year ending on the preceding June 30 has been made within the disbursement percentage specified for such fiscal year, and appropriate adjustment in disbursement shall be made by the Association on the basis thereof.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals in an aggregate amount not exceeding \$500,000 equivalent may be made on account of payments made for expenditures incurred prior to that date but after March 1, 1993. SCHEDULE 2

Description of the Project

The objectives of the Project are (a) to improve access to basic education through a program for school construction and maintenance, (b) to improve teaching quality and curricula design, (c) to enhance MOE's capacity in the areas of management, planning and policy analysis, and (d) to assist in the formulation of options for addressing priority basic education issues.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A: School Construction and Maintenance

(1) Construction, in three phases, in the Governorates of Cairo, Sharkeya, Ismailia, Menofeya, Assiut, Sohag and Qena, of about 130 primary schools and about 110 preparatory schools.

(2) Implementation, through TOMOHAR, of a training program on aspects of school maintenance for engineers and technicians of MOE and GAEB.

(3) Provision of equipment, training and technical services for MOE and NIB to enhance their capacity in the administration and supervision of school construction.

(4) Provision for GAEB of equipment for a material testing laboratory and of a mobile soil testing truck.

Part B: In-Service Teacher Training

(1) Construction or renovation of a facility to house GDIST's module production and distance education units.

(2) Provision of technical assistance for GDIST and local and overseas training for its staff.

(3) Construction and equipping of a new RTC in the Governorate of Qena, and upgrading of six existing RTCs.

(4) Provision of equipment and materials for four units of GDIST's, namely, the units for Planning and Instructional Design, Production of Training Materials, Distance Learning and Internal Evaluation.

(5) Implementation of training programs nationwide for trainers of trainers, trainers and teachers of science, mathematics and languages, and for distance education pilot in three Governorates.

Part C: Institutional Development and Studies

(1) Implementation of measures to strengthen MOE's capacity in management, planning and policy analysis, including: (a) the establishment within MOE of a Coordinating Technical Committee for Institutional Development (TCID) and the implementation by it, with the assistance of experts, of training programs in management, planning and related fields for MOE's staff at headquarters and in the Governorates; (b) the provision for CDEPI of computer equipment and materials and technical services to assist in the development of an integrated basic education data base and to extend the use of such data base to MOE's directorates in the Governorates; (c) the provision of (i) a facility and related services for the functioning of CDEPI's offices for Research, Planning and Follow-up, Physical Planning and Education Management Information System, and (ii) equipment and materials for CDEPI's management information system; and (d) the provision for CDEPI of technical documentation and publications related to policy analysis, planning and technology use.

(2) Studies of (a) the financing of basic education, and (b) teacher preparation policies and programs.

* * *

The Project is expected to be completed not later than June 30, 2002.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part D hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines). For fixed-price contracts, the invitation to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when contract award is delayed beyond the original bid validity period, the successful bidder's bid price will be increased for each week of delay by two predisclosed correction factors acceptable to the Association, one to be applied to all foreign currency components and the other to the local currency component of the bid price. Such an increase shall not be taken into account in the bid evaluation.

2. To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost the equivalent of \$500,000 or more each.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in Egypt may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and

paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Preference for Domestic Contractors

In the procurement of works in accordance with the procedures described in Part A.1 hereof, the Borrower may grant a margin of preference to domestic contractors in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraph 5 of Appendix 2 thereto.

Part D: Other Procurement Procedures

1. (a) Contracts for civil works, estimated to cost the equivalent of not more than \$500,000 per contract and not more than \$13,400,000 in the aggregate may be awarded on the basis of competitive bidding advertised locally, in accordance with procedures satisfactory to the Association. Such procedures shall ensure, inter alia: (i) public opening of bids, (ii) equal treatment of all bidders in terms of the requirements of furnishing bid or performance bonds, and (iii) eligibility for bidding by representatives of foreign bidders.

(b) Invitation of bids, in accordance with the procedures referred to in paragraph (a) above, for the schools to be constructed under Part A of the Project shall be made on the basis of bidding documents which shall have been approved by the Association.

(c) Bidders for works in accordance with the procedures referred to in paragraph (a) above shall be prequalified in accordance with procedures and criteria satisfactory to the Association.

2. Equipment and materials estimated to cost the equivalent of not more than \$100,000 per contract and not more than \$600,000 in the aggregate may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of not less than three suppliers, in accordance with procedures satisfactory to the Association.

3. Proprietary items, such as books, journals, teaching materials and computer software, estimated to cost the equivalent of not more than \$800,000 in the aggregate may be procured under contracts to be negotiated with the owner or licensor thereof on terms satisfactory to the Association.

Part E: Review by the Association of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract estimated to cost the equivalent of \$500,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

(c) The provisions of the preceding sub-paragraph (b) shall

not apply to contracts on account of which withdrawals from the Credit Account are to be made on the basis of statements of expenditure.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

1. In order to assist MOE in carrying out Parts B and C of the Project, the Borrower shall cause MOE to employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultants' Guidelines requiring prior Association review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to contracts estimated to cost less than \$100,000 equivalent each. However, this exception to prior Association review shall not apply to the terms of reference for such contracts nor to the employment of individuals, to single source selection of firms, to assignments of a critical nature as reasonably determined by the Association and to amendments of contracts raising the contract value to \$100,000 equivalent or above.

SCHEDULE 4

Implementation Program

A. Implementation Responsibilities

(1) MOE shall assign to PIU, in addition to the managerial staff, technical staff to be assigned on a full-time basis and in a number adequate to perform PIU's functions in the areas of civil work supervision, accounting, procurement and coordination of implementation. The PIU shall have the technical responsibility for Project implementation and shall, in particular (a) prepare the Project Implementation Plan, (b) arrange for procurement of work and goods and approve the terms of reference for specialists, (c) maintain the Project accounts, (d) arrange for disbursement of the proceeds of the Credit, and (e) report regularly to the office of the Minister of MOE on the status of Project implementation.

(2) MOE shall designate a high level official in the office of the Minister of MOE to liaise with PIU for the purpose of facilitating Project implementation.

(3) The Project shall be carried out in accordance with an Implementation Plan agreed upon between the Borrower and the Bank. This Implementation Plan shall be reviewed annually by the Borrower and the Bank and such adjustments shall be made thereto as may be warranted by the status of Project implementation and the requirements of Project objectives.

(4) The Borrower shall ensure the allocation for MOE of resources adequate to cover the cost of equipment and furniture required for the schools to be constructed under Part A of the Project, and of other items included in the Implementation Plan.

B. Implementation of Project Components

Without limitation, the Implementation Plan shall include the following:

(1) Part A of the Project:

(a) The selection of sites for the primary and preparatory schools to be constructed under Part A of the Project shall be made in accordance with criteria acceptable to MOE and the Association. Such criteria shall endeavor, in particular, to improve access for girls in rural areas, to reduce overcrowding in urban areas and to achieve a proper balance of male, female and mixed-gender schools.

(b) The total number of schools to be constructed under Part A of the Project shall be determined according to the number of classrooms of each school and the final estimates of construction costs.

(c) Responsibility for preparation of the design and bidding documents for school construction shall be assigned in GAEB.

(d) MOE shall continue its on-going arrangements with NIB whereby the latter shall be responsible for monitoring school construction and for supervising adherence by contractors to technical specifications and construction standards.

(e) MOE shall ensure, by December 31, 1993, the conclusion with TOMOHAR of arrangements satisfactory to the Association for the carrying out of the training programs for school maintenance, referred to in Part A (2) of the Project.

(f) MOE shall obtain the Association's concurrence to the plans for furnishing and equipping the schools included in Part A of the Project.

(g) The Borrower shall cause MOE to introduce procedures for maintenance of basic education schools in the seven governorates referred to in Part A (1) of the Project which shall ensure (i) the regular inspection by GAEB of such schools and its furnishing to MOE of an annual report on their physical condition, and (ii) the provision by MOE, in a timely manner, of the resources required for maintenance of such schools.

(h) MOE shall ensure the inclusion in the progress reports referred to in Part B.4 of this Schedule of information regarding the operation of the maintenance procedures referred to in the preceding paragraph g.

2. Part B of the Project:

(a) Responsibility for the carrying out of Part B of the Project shall be assigned to GDIST in coordination with PIU.

(b) MOE shall ensure, the staffing, by December 31, 1993, in accordance with a plan satisfactory to the Association, of the four units of GDIST referred to in Part B (4) of the Project.

(c) MOE shall ensure the carrying out of the training included in Part B (2) of the Project under arrangements and time-schedule agreed upon with the Association.

3. Part C of the Project:

(a) MOE shall maintain TCID with adequate resources and facilities until the completion of Part C of the Project, and shall assign to it the responsibility for the carrying out, in coordination with PIU and CDEPI, of the measures for institutional development referred to in Part C (1) and (2) of the Project.

(b) MOE shall ensure, not later than December 31, 1993, that all senior positions in CDEPI shall be filled by appropriately qualified persons.

(c) Measures for the carrying out of Part C (1) and (2) of the Project shall include:

- (i) the preparation by TCID and the furnishing to the Association, by December 31, 1993, of the

training programs referred to in Part C (1) (a) of the Project, and the carrying out thereafter of such programs under arrangements and time-schedules satisfactory to the Borrower and the Association;

- (ii) the investigation of the needs, for purposes of basic education planning and management, for information at MOE's headquarters and at its directorates in the Governorates;
- (iii) the development on the basis thereof with the assistance of experts, and the approval, by November 30, 1993, of a plan for education management information systems, specifying the requirements for the implementation thereof in terms of staffing, training, equipment and materials; and
- (iv) the development and putting into effect of an incentive system adequate for MOE to retain managers trained under Part C (1) of the Project.

(d) MOE shall (i) carry out the studies included in Part C (3) of the Project under terms of reference satisfactory to the Borrower and the Association; (ii) ensure, by December 31, 1994, the completion of such studies and the furnishing, through PIU, to the Association of their findings and recommendations; and (iii) prepare, in consultation with the Association, and thereafter carry out a plan of action, based on alternatives consistent with the Borrower's policies, objectives and programs in the education sector.

4. Review and Reporting

(a) MOE shall prepare, through PIU, and furnish to the Association, on a format agreed upon between MOE and the Association, quarterly reports on progress in the carrying out of the Project.

(b) MOE shall conduct, jointly with the Association, by June 30, 1997, or such other date as the Association may agree, a mid-term review of the Project.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2), (3) and (4) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$2,500,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the

Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit in the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account

(or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

